

Max Baucus, Chairman http://finance.senate.gov

For Immediate Release December 6, 2010 Contact: Scott Mulhauser/Erin Shields (Baucus)
Jill Gerber (Grassley)
(202) 224-4515

BAUCUS, GRASSLEY LEAD GROUP OF 30 SENATORS URGING CHINA TO RESOLVE LONGSTANDING IRRITANTS TO THE U.S.-CHINA ECONOMIC RELATIONSHIP

<u>Senators Call on Top Chinese Leader to Protect American Innovation,</u> <u>Open Market to American Beef</u>

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.), Ranking Member Chuck Grassley (R-lowa), and 30 other Senators sent a letter today to Wang Qishan, Vice Premier of the State Council of the People's Republic of China, urging China to resolve several longstanding bilateral trade issues during the December meetings of the U.S.-China Joint Commission on Commerce and Trade (JCCT). The Senators focused in particular on China's inadequate protection of U.S. intellectual property rights; policies that discriminate in favor of domestic Chinese – or "indigenous" – innovation; and unscientific restrictions on imports of U.S. beef. The Senators also reiterated U.S. concerns about China's unfair currency undervaluation.

"The United States and China cannot just talk about hurdles in our trade relationship – we need to overcome them," said Baucus. "China's ineffective protection of intellectual property rights, discriminatory innovation practices and barriers to U.S. beef exports have long presented hurdles for American businesses and ranchers exporting to China. December's joint trade talks provide the perfect opportunity for China to stop talking about these challenges to our economic relationship and start addressing them. It is time for China to make progress on these issues so our two countries can continue to build a strong, mature economic relationship."

"These meetings are an opportunity to resolve some longstanding issues in our trading relationship with China," Grassley said. "In most cases, it's just a matter of China treating U.S. companies fairly. For example, China has policies that give preferences to wind turbines built in China. That puts lowa's wind turbine manufacturers at a disadvantage. That's not right. And China's refusal to base beef imports on sound science hurts lowa producers. I urge China to take our concerns seriously. It's in the interest of both of our countries. We need to see progress on some core issues if we want to be able to maintain support for our growing bilateral economic relations."

The Finance Committee has jurisdiction over international trade. The full text of today's letter follows here.

December 6, 2010

His Excellency Mr. Wang Qishan Vice Premier of the State Council The People's Republic of China

VIA HAND DELIVERY

Dear Vice Premier Wang:

The upcoming state visit by President Hu Jintao provides an opportunity for the United States and the People's Republic of China to demonstrate concrete progress toward resolving several longstanding issues in the U.S.-China economic relationship. Progress on these issues would help enhance our bilateral economic ties and reduce our bilateral economic tensions. It is imperative, therefore, that the United States and China work together constructively in advance of President Hu's visit to ensure its success. And one critical venue for that work is the December meetings of the U.S. – China Joint Commission on Commerce and Trade (JCCT).

Although many of the issues that the JCCT will address are of substantial interest to the U.S. Congress, three issues hold particular importance. First, we urge progress at the JCCT on the protection and enforcement of U.S. intellectual property rights (IPR) in China. The United States has been raising this issue for many years, and China has repeatedly committed to take steps to address U.S. concerns. For example, in 2006, China committed in the JCCT to ensure that Chinese government agencies and state-owned enterprises use only licensed software. But China has failed to implement this commitment. We urge China to implement this commitment on a timely basis, and in a transparent manner that allows IPR holders to verify the legitimacy of the software used by these entities. And while we welcome China's announcement of a six-month nationwide effort to combat IPR violations, the execution of the effort will be critical. We urge China to use this program to better coordinate IPR enforcement efforts at the central, provincial, and local levels. We further urge China to ensure this program achieves real, measurable results and that it is used as a springboard for permanent reforms.

Second, we urge progress at the JCCT on China's so-called "indigenous innovation" policies. We cannot stress more strongly the corrosive effect these policies are having on U.S. business community support for a constructive U.S. - China economic relationship and, more broadly, on Congressional attitudes toward China. It is in our mutual interest for China to suspend these discriminatory policies. We fully respect and encourage China's efforts to build a robust domestic innovative sector, but to be successful, China must engage in these efforts without explicitly or implicitly discriminating against U.S. companies. Discrimination will deter collaboration with, and investments from, cutting-edge American innovators that can help build China's own innovative sector.

We also urge China to fulfill its long-overdue commitment to accede to the World Trade Organization Agreement on Government Procurement (GPA). Although the revised offer that China submitted in 2010 was an improvement on its initial offer, it remains substantially inadequate. We urge China to submit a new offer that is comparable to the commitments the United States and other parties to the GPA have made. Among other things, we ask that China's new offer cover procurements at the subcentral level, as well as procurements by Chinese state-owned entities engaged in government activities. As a major beneficiary of the global trading system and the world's second-largest economy, China has a responsibility to assume commitments that are commensurate with its status – and with the market access it will gain.

Third, we urge progress at the JCCT on U.S. beef exports. We are extremely concerned that China continues to ban imports of U.S. beef even though the World Organization for Animal Health has recognized that all cuts of U.S. beef derived from cattle of all ages are safe. We are concerned about China's explicit ban on imports from cattle aged 30 months and over, as well as China's web of restrictions that effectively ban the importation of beef from cattle under 30 months. There is no

scientific basis for any of these restrictions on U.S. beef imports. We therefore urge China to take immediate, material steps that demonstrate its commitment to open its market to all ages and cuts of U.S. beef.

And although we realize that China's currency practices do not fall under the jurisdiction of the JCCT, these practices continue to raise serious concerns among Members of Congress. The U.S. House of Representatives recently passed legislation intended to address persistent currency undervaluation by U.S. trading partners, and the U.S. Senate may follow suit. We urge China to demonstrate its commitment to adopting a market-determined exchange rate by allowing its currency to appreciate meaningfully in advance of President Hu's visit.

The U.S. – China economic and strategic relationship is vitally important. But in order to keep that relationship on track, the United States and China must find ways to constructively address persistent concerns that plague us. We are confident we can do so, and we look forward to working together to develop a deeper, mutually beneficial relationship.

Sincerely,

Senator Max Baucus

Senator George S. LeMieux Senator John Thune Senator Scott P. Brown Senator Mark Begich Senator Mark Pryor Senator Tom Harkin Senator Jim Bunning Senator Orrin G. Hatch Senator Debbie Stabenow Senator Susan M. Collins Senator Jeff Bingaman Senator Lindsey Graham Senator Kirsten E. Gillibrand Senator John Kerry Senator Ben Cardin

Senator Chuck Grassley

Senator James Risch
Senator Mike Johanns
Senator Olympia Snowe
Senator Mike Crapo
Senator Sherrod Brown
Senator George V. Voinovich
Senator Charles Schumer
Senator Amy Klobuchar
Senator Kay R. Hagan
Senator Blanche L. Lincoln
Senator Benjamin Nelson
Senator Mark R. Warner
Senator Bob P. Casey Jr.
Senator Jeff Merkley
Senator Ron Wyden

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